



Governor Locke's Agenda in Action

Governor Locke's Budget Principles:

- ✓ **Education is Our Highest Priority:** Improving student achievement and access to higher education are the keys to opportunity.
- ✓ **Use Public Works To Create Jobs:** Refinancing the capital budget and approving transportation funding creates thousands of jobs.
- ✓ **Transportation Problems Must Be Addressed:** Fixing serious transportation problems keeps our economy and people moving.
- ✓ **Make Government Work Better:** Eliminating lower priority programs puts focus on the state's highest priorities.
- ✓ **Protect Families and the Environment:** The most vulnerable children and adults are protected, and our natural resources preserved.
- ✓ **Maintain a Responsible Reserve:** A reserve fund of \$300 million is maintained.

Economy:

Creating Thousands of
New Jobs in Washington

Education:

Reducing Class Sizes for More
Individual Attention

Transportation:

Adding Capacity to Get
Washington to Work



Solving the Budget Problem

Governor's Priorities for Balancing the Budget

- ✓ Solve a \$1.5 billion problem in the current biennium
 - ✓ Reduce spending to match revenue and lower long-term costs
 - ✓ Generate new revenue without general tax increase
 - ✓ Maintain an adequate reserve
-

Legislative Action:

Solves a \$1.5 billion budget problem – the result of a \$1.1 billion drop in projected revenue, caseload increases and additional spending pressures – by reducing the \$22.8 billion 2001-03 General Fund budget by \$685 million and providing \$858 million in additional resources. Cuts in the current biennium will reduce spending in the next full budget cycle, the 2003-05 Biennium, by about \$1.3 billion.

Cuts government by reducing human-services programs by \$208 million. Requires efficiencies, saving \$27 million. Reduces general government and natural resources funding by \$85 million, discretionary public schools funding by \$92 million and state colleges and universities by \$54 million.

I-695 backfill funding ends for all local governments except those cities and counties hardest hit by the initiative – saving \$59 million. State-funded employees pay more for health insurance, saving \$47 million. Eliminating the second-year cost-of-living increase for state employees saves \$50 million. Reducing the cost of doing business through pension-rate changes saves \$63 million.

Bonding a portion of the state's tobacco settlement proceeds raises \$450 million. Adding a multistate lottery game, closing sales-tax loophole for shipments from out of state and increasing state tax collection enforcement raises \$90 million. Selected fund-balance transfers provide \$52 million.

State reserve funds are reduced by \$111 million, leaving \$273.4 million in reserve accounts.

2001-03 Supplemental Budget Status:

THE PROBLEM: \$1.543 Billion Shortfall in Current Biennium

Assumes February caseload/enrollment and revenue updates.

\$1.543 Billion

\$1.156B
Revenue
Loss

\$387m
Caseload/Enrollment
and other spending
pressures

ω The Solution: As Passed Legislature 3/14/02

Additional Resources = \$858 million

Reductions = \$685 million

\$90m New Revenue	\$52m Fund transfers	\$450 Securitize tobacco funds	\$266m Spend ERF & unrestricted reserve	\$63m Pension rate savings	\$59m I-695 backfill (net)	\$47m Health benefits	\$54m Higher Ed.	\$208m Human Services	\$92m K-12	\$50m 2 nd year COLA	\$112m All other
--------------------------------	-----------------------------------	---	---	--	--	------------------------------------	-------------------------------	------------------------------------	----------------------	---	-------------------------------

Reserve Balance = \$273 million

Making Government Work Better

Governor's Priorities

- ✓ Reform civil service rules
 - ✓ Reduce costs now
 - ✓ Eliminate lower-priority programs
 - ✓ Reduce growth of state workforce
 - ✓ Expand use of money-saving efficiencies
-

Legislative Action:

Reforms Civil Service rules to create a leaner, more efficient government. Allows collective bargaining and contracting out of more state services.

Achieves efficiencies. Reduces operating costs by implementing Best Practices provided by the Office of Financial Management and the Department of Information Services, and through hiring freezes (or through voluntary and mandatory furloughs if needed), and restrictions on travel, training, equipment purchases and personal service contracts. *Saves \$27 million GF-State*

Eliminates several state programs. With a few exceptions, ends financial support for local governments losing revenue due to passage of Initiative 695, *saving \$59 million GF-State*

Eliminates 1,619 full-time state jobs – while adding 674 jobs related to criminal justice, higher education and revenue collection – for a net decrease of nearly 1,000 state jobs.

Eliminates scheduled 2.6 percent cost-of-living adjustment for state employees. *Saves \$50 million GF-State*

Tightens belts of school districts through efficiency savings and reductions to grants and programs that augment the state's basic education funding. The Better Schools Program is reduced, one teacher-training day is eliminated and several grant programs are reduced. *Saves \$92 million GF-State*

Increases employees' share of health insurance costs. Compensation package for all state-funded employees, including and higher education employees, assumes an average premium contribution rate of 12.6 percent. Doctor's office co-pay increases from \$10 to \$15 for employees covered by managed-care plans. Drug benefits are reduced by 10 percent. *Saves \$47 million GF-State*

Creating New Jobs, Building for the Future

Governor's Priorities for the Economy

- ✓ Create new jobs now
- ✓ Restart and refinance capital budget
- ✓ Fix transportation problems
- ✓ Expand worker retraining
- ✓ Move on Competitiveness Council recommendations

Legislative Action:

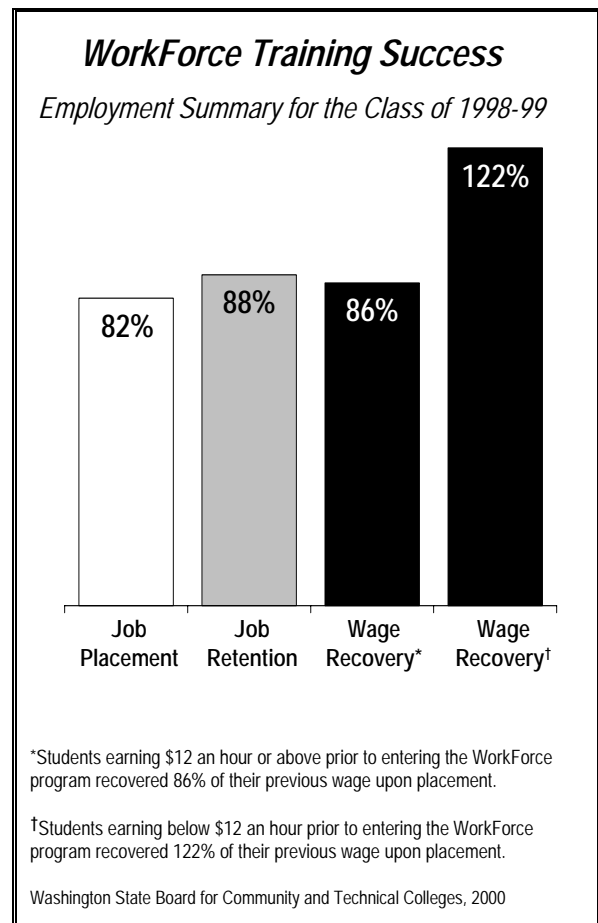
Creates 24,000 new jobs generated by 10-year transportation-improvement proposal and refinancing \$880 million capital budget in the current biennium. Voter approval of \$7.7 billion in new state funding for transportation, plus voter-approved regional funding, will sustain more than 20,000 jobs over several years. Refinancing capital budget and providing an additional \$100 million for new construction projects creates about 4,000 jobs over next few years.

Expands worker retraining enrollment to 8,500, adding 1,320 new slots for students at community and technical colleges. Also expands customized training program for new and expanding companies that invest in training workers on the job. *\$4 million GF-State, \$2.6 million other funds*

Acts on Washington Competitiveness Council recommendations. Improves equity and fairness in unemployment insurance system. Clarifies taxation of investment income; creates a permit assistance center in the Governor's office and provides a remedy to legal issues facing condominium developers. Also establishes a process and rates for public-utility easements on state-owned aquatic lands. Authorizes universities to finance research facilities with revenue bonds. Provides important reforms to Washington's water law.

Community Economic Revitalization Board's loan program gets new funding for new projects to stimulate economic development in rural areas. *\$2.3 million Public Facilities Construction Loan Revolving Account*

Transportation budget contains \$2 million for transportation-related infrastructure that will assist economic development.



Keeping the Commitment to Learning

Governor's Priorities for the Education

- ✓ Protect funding for public schools and voter-approved class-size reduction
- ✓ Protect funding for teacher salaries approved by voters
- ✓ Reduce bullying to curb school violence
- ✓ Grant additional tuition-setting authority to state colleges and universities

Legislative Action:

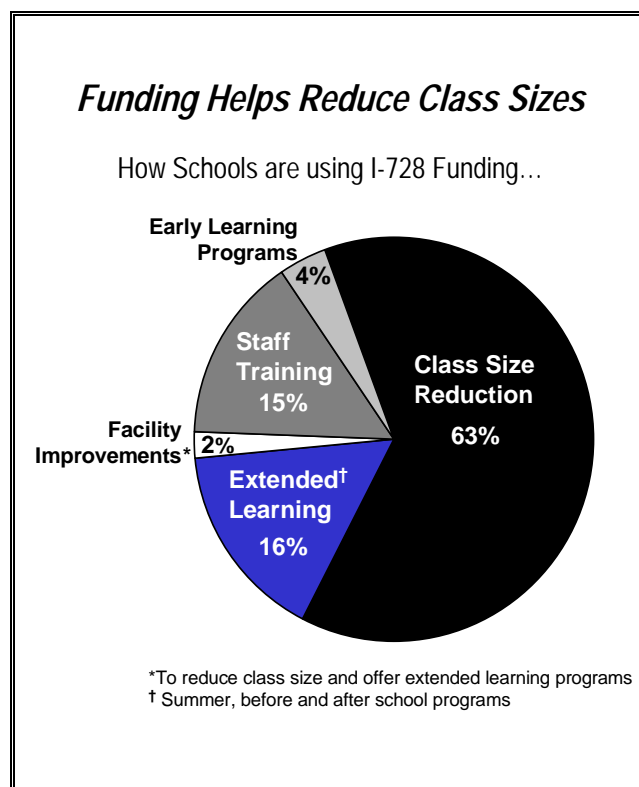
Provides full funding for basic education in K-12 public schools. Additional funding in supplemental budget reflects higher-than-expected enrollments. *\$112 million GF-State*

Fully funds annual salary increases for state-funded teachers and other school staff – total cost \$333 million in the 2001-03 Biennium – as required by voters under Initiative 732.

Supplemental budget proposal increases next year's COLA, reflecting increase in inflation since biennial budget was adopted. *\$15 million GF-State*

Continues full funding to reduce class sizes under Initiative 728 – \$391 million in the 2001-03 Biennium.

Gives Promise Scholarships the certainty of law. Two-year Promise Scholarships, available to qualifying high school graduates, are put into statute. For the past four years, the state has awarded these scholarships as authorized in state budgets.



Reduces bullying – Requires school districts to revise policies to prohibit bullying and state to provide training materials to reduce bullying. *Funded with \$500,000 GF-State appropriated last session*

Tightens belts of school districts through reductions to non-basic education grants and programs. Combined program reductions of \$68 million in K-12 represent a reduction of 1.3 percent of state funding for public schools next year. Federal funding is integrated into K-12 funding formulas, allowing \$24 million of state savings. *Saves \$92 million GF-State*

Maintains enrollment-growth targets in higher education despite reductions in General Fund appropriations of 5 percent for four-year institutions and 3 percent for community colleges. Grants limited tuition-setting authority to governing boards of higher education institutions for next school year. *Saves \$54 million GF-State*

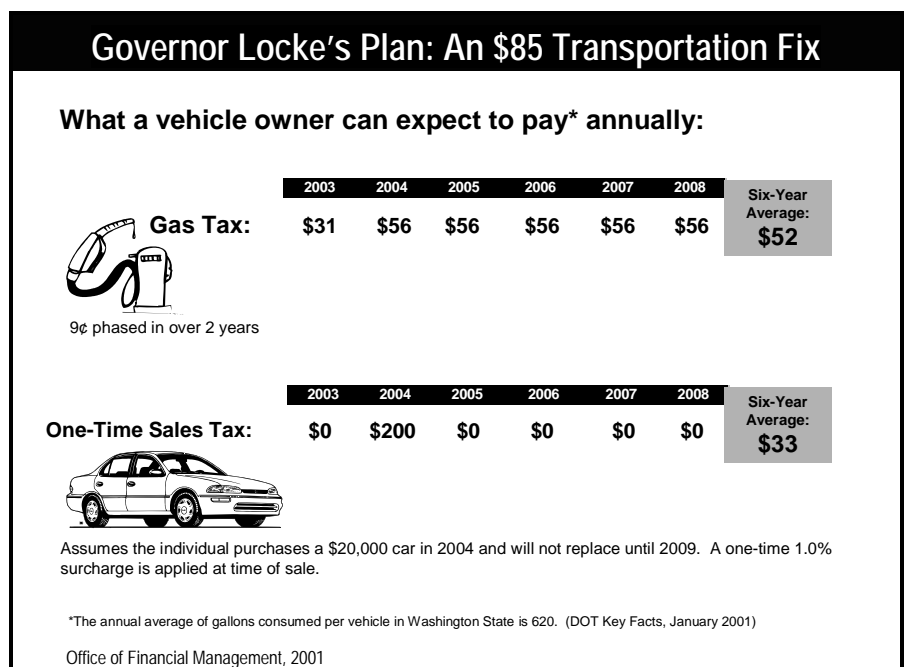
Getting Washington to Work

Governor's Priorities for the Transportation

- ✓ Cut traffic congestion at key chokepoints statewide
- ✓ Stimulate economy, create thousands of new jobs
- ✓ Launch transportation improvement plan measured by performance
- ✓ Give regions taxing authority to accelerate projects

Legislative Action:

Makes \$7.7 billion in state transportation improvements, funded by phased-in 9-cent gas tax increase – subject to a public vote. Adds capacity on highways such as I-405, SR 167, I-90 east of Snoqualmie Pass, I-5 in Southwest Washington, and SR 240 in Richland. Replaces ferries built in 1927. Provides funding for public transit. Regional funding measure allows local voters to approve new regional resources to accelerate projects, such as the Alaskan Way Viaduct.



Targets funding along major transportation corridors to ensure the greatest return on investment. Ties new dollars to specific transportation projects.

Creates about 20,000 new jobs with new state and regional funding as the state's aging transportation infrastructure is upgraded and repaired.

Emphasizes reform, efficiency and greater accountability by establishing performance measures, contracting out for construction engineering services, changing prevailing wage procedures, establishing apprenticeship programs and adopting other recommendations of the Blue Ribbon Commission on Transportation.

2001-03 Balance Sheet
As Passed by the Legislature 3/14/02
General Fund - State
(Dollars in Millions)

Resources

Beginning Fund Balance	599.7
February 2002 Revenue Forecast	20,961.9
Revenue and Fee Changes (tentative)	88.0
	<u>\$21,049.9</u>
Total Resources (Revenues plus Beginning Balance)	<u>\$21,649.6</u>

Initiative 601 Expenditure Limit

November 2001 Limit as adjusted for Supplemental Budget	23,916.3
---	----------

Expenditures

June 2001, 2001-03 Appropriations	22,783.2
Legislature's 2002 Supplemental	<u>(298.0)</u>
Revised 2001-03 Budget	22,485.2

Unrestricted General Fund Reserve

Unrestricted Balance	(835.6)
2001 Budget: Money Transfers into General Fund	228.0
2002 Supplemental: Money Transfers into General Fund	51.6
Tobacco Securitization Funds	450.0
Transfer from the Emergency Reserve Fund	<u>325.0</u>
	219.0

Emergency Reserve Fund

Beginning Balance	461.9
Emergency Reserve Transfers to Transportation	(70.0)
Interest Earnings	10.6
Earthquake/Drought	(25.0)
Transfer to General Fund	<u>(325.0)</u>
	52.5

Total Reserves	271.5
-----------------------	--------------